



DEPARTMENT OF THE ARMY

U.S. Army Corps of Engineers
WASHINGTON, D.C. 20314-1000

REPLY TO
ATTENTION OF:

CEPR-ZA (715)

25 FEB 2002


MEMORANDUM FOR COMMANDER/DIRECTORS, ALL USACE COMMANDS,
ATTN: DIRECTOR/CHIEFS OF CONTRACTING

SUBJECT: PARC Instruction Letter 2002-03, Contractor Costs – Donation of Employee
Unused Leave

1. Reference enclosed DP/CPF Memorandum dated 11 February 2002, SAB.
2. This PARC Instruction Letter 2002-03 is issued to reemphasize the allowable compensation cost concerning Contractor Costs – Donation of Employee Unused Leave pursuant to Federal Acquisition Regulation (FAR) 31.205-6, "Compensation for Personal Services," and the guidance in referenced memorandum provided by the Director of Defense Procurement.
3. Questions concerning this PIL should be directed to Sylvia J. Moody, CEPR-P, Telephone: 202-761-4700, e-mail: sylvia.j.moody@hq02.usace.army.mil.

. FOR THE COMMANDER:

Encl


BUNNETTE H. GREENHOUSE
Principal Assistant Responsible
for Contracting



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

DP/CPF

February 11, 2002

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS
MANAGEMENT, ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
EXECUTIVE DIRECTOR FOR LOGISTICS POLICY AND
ACQUISITION MANAGEMENT (DLA)

SUBJECT: Contractor Costs – Donation of Employee Unused Leave

A number of contractors have implemented, or are considering implementing, policies to permit their employees to donate leave to charitable organizations, such as those providing assistance to victims of the September 11, 2001 disasters. The Internal Revenue Service (IRS) issued IRS Notice 2001-69 on November 13, 2001, to facilitate such donations by making it clear that employee donations of leave would not constitute taxable income for the employee, and that the IRS would permit employers to treat these employee donations as either ordinary and necessary business expenses or charitable contributions.

After careful examination of this issue, we have concluded that such payments for vacation and personal leave, but not for sick leave, represent an allowable compensation cost under Federal Acquisition Regulation (FAR) 31.205-6, "Compensation for Personal Services," rather than an unallowable contribution under FAR 31.205-8, "Contributions or Donations." We will permit this treatment for payments made before January 1, 2003, and we will revisit the issue when the IRS announces how it will treat employee donations of leave made on or after January 1, 2003.

Please ensure this guidance receives the widest possible dissemination within the defense acquisition community. Questions may be directed to Ms. Carol Covey of my staff at (703) 697-6710.

Deidre A. Lee
Director, Defense Procurement

cc: DSMC, Ft. Belvoir

